

THE JOHN BIRCH SOCIETY, INCORPORATED

ACCOUNTANTS' REPORT

For the Year Ended December 31, 1964

SPARK, MANN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
60 STATE STREET
BOSTON

SPARK, MANN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
60 STATE STREET
BOSTON, MASSACHUSETTS 02109

March 19, 1965

To the Board of Directors
The John Birch Society, Incorporated
395 Concord Avenue
Belmont, Massachusetts

We have examined the balance sheet of The John Birch Society, Incorporated (a Massachusetts corporation organized under Chapter 180 of the laws of the Commonwealth) as of December 31, 1964 and the related statement of income and expenses and deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Contributions were solicited in part by means of literature which was made available by the Society to interested parties, and the collections of local chapter membership dues are reflected only to the extent that such collections have been received by the Society's home office; accordingly, it was impracticable for us to extend our examination of contributions and membership dues received beyond accounting for amounts so recorded by the home office.

In our opinion, the accompanying balance sheet and related statement of income and expenses and deficit present fairly the financial position of

The John Birch Society, Incorporated at December 31, 1964, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Spark, Mann & Company

THE JOHN BIRCH SOCIETY, INCORPORATED

BALANCE SHEET

December 31, 1964

ASSETS

Cash		
Accounts Receivable - less allowance of \$3,338.21 for doubtful accounts		\$17,135.13
Inventory of Books, etc. - at lower of cost or market		65,236.11
Equipment, etc. - less accumulated depreciation of \$23,194.33		59,943.22
Prepaid Expenses		34,175.36
Marketable Securities - at cost (market value \$9,350.00)		6,647.85
Investment in Robert Welch, Inc. - at nominal value		9,748.70
		2.00
		<u>\$192,888.37</u>

LIABILITIES

Notes Payable - Unsecured:		
Non-interest bearing - demand	\$1,000.00	
5% - demand	<u>10,000.00</u>	\$11,000.00
Accounts Payable:		
Robert Welch, Inc.	169,202.26	
Correction, Please!, Inc.	7,369.54	
Other	<u>96,839.19</u>	273,410.99
Accrued Expenses		<u>40,950.34</u>
Deficit		
		325,361.33
		<u>132,472.96</u>
		<u>\$192,888.37</u>

Note: At December 31, 1964, the Society was named as defendant in various lawsuits aggregating \$9,300,000 for punitive and compensatory damages alleged to have resulted from circulation of unfavorable material by the Society or its members and from conspiracy which resulted in false arrest. These lawsuits are still pending and the extent to which the Society may become liable, if any, is not now ascertainable. Additionally, The John Birch Society, Incorporated has a law suit pending against the Huntley-Brinkley newscasting team and the National Broadcasting Company in the amount of \$2,000,000 for damages alleged to have resulted from a slanderous and libelous newscast by the team during 1964. This litigation was still in the pre-trial stage at December 31, 1964.

THE JOHN BIRCH SOCIETY, INCORPORATED

STATEMENT OF INCOME AND EXPENSES AND DEFICIT

For the Year Ended December 31, 1964

INCOME:

Membership dues	\$536,566.35
Contributions, etc.	875,220.14
Sales of publications, etc.	165,062.81
Advertising service fees	59,541.40
Speeches and seminars	31,061.62
Services - Correction, Please!, Inc.	13,170.75
Dividend income	<u>1,894.15</u>

TOTAL INCOME

\$1,682,517.22

EXPENSES:

Salaries	751,692.46
Payroll taxes	29,709.80
Coordinators - travel and expenses	264,032.86
Promotion	88,946.37
Printing and publications	221,481.81
Rent and office services:	
Robert Welch, Inc. (net)	\$13,431.52
Other	<u>9,050.00</u>
Postage	22,481.52
Stationery and office supplies	70,166.45
Shipping supplies	41,037.10
Depreciation	5,078.57
Telephone and telegraph	8,294.54
Film presentation fees, etc.	19,461.27
Speeches and seminars	49,563.62
Legal and audit	7,888.21
Bad debts	11,839.90
Insurance and interest	5,418.51
Taxes - other	2,827.92
Sundry - net	1,707.51
	<u>2,407.16</u>

TOTAL EXPENSES

1,604,035.58

NET INCOME FOR THE YEAR

78,481.64

DEFICIT - JANUARY 1, 1964

210,954.60

DEFICIT - DECEMBER 31, 1964

\$132,472.96

Note: No provision for federal income tax is required due to the application of a net operating loss carry-forward computed in accordance with the provisions of the Internal Revenue Code.

Spark, Mann & Company
Certified Public Accountants
100 Congress Street
Boston, Massachusetts 02110

March 19, 1965

To the Board of Directors
Robert Welch, Inc.
105 Congress Street
Boston, Massachusetts

We have examined the balance sheet of Robert Welch, Inc., as of December 31, 1964. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and related financial procedures as we considered necessary in the circumstances. We were not able to independently confirm

ROBERT WELCH, INC.

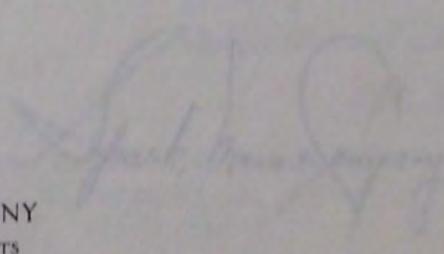
FINANCIAL STATEMENTS

December 31, 1964

liability of \$29,700.00, which was due on a 6% demand promissory note, but we believed ourselves as to this liability by other procedures.

In our opinion, subject to the collectibility of the amounts due from the John Birch Society, Incorporated (\$169,700.26), and Correction, Inc., Inc. (\$18,300.15), the accompanying balance sheet presents fairly the financial position of Robert Welch, Inc., at December 31, 1964, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying statement of income and expenses and earned surplus for the year ended December 31, 1964 has been prepared from the books of account without verification.


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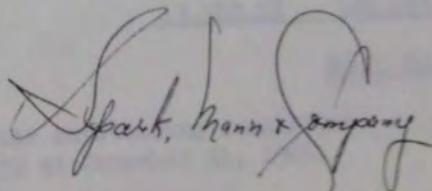
March 19, 1965

To the Board of Directors
Robert Welch, Inc.
395 Concord Avenue
Belmont, Massachusetts

We have examined the balance sheet of Robert Welch, Inc. as of December 31, 1964. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were not able to independently confirm a liability of \$85,000.00 due to a subscriber on a 4% demand promissory note, but we satisfied ourselves as to this liability by other procedures.

In our opinion, subject to the collectibility of the amounts due from The John Birch Society, Incorporated (\$169,202.26), and Correction, Please!, Inc. (\$12,322.15), the accompanying balance sheet presents fairly the financial position of Robert Welch, Inc. at December 31, 1964, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying statement of income and expenses and earned surplus for the year ended December 31, 1964 has been prepared from the books of account without verification.



ROBERT WELCH, INC.

BALANCE SHEET

December 31, 1964

ASSETS

Cash	\$18,793.80
Accounts Receivable - less allowance of \$19,596.71 for doubtful accounts	189,389.06
Inventory of Books, etc. - at lower of cost or market	187,659.67
Due from The John Birch Society, Incorporated	169,202.26
Due from Correction, Please!, Inc.	12,322.15
Furniture and Equipment - less accumulated depreciation of \$30,732.46	56,260.16
Automobile - less accumulated depreciation of \$332.30	1,262.70
Leasehold Improvements - unamortized balance	459.33
Prepaid Expenses, Etc.	<u>7,012.84</u>
TOTAL ASSETS	\$642,361.97

LIABILITIES AND CAPITAL

NOTES PAYABLE - SUBSCRIBERS AND
CUSTOMERS - UNSECURED:

5% - due July 11, 1965	\$1,000.00
5% - due December 10, 1964	5,000.00
4% - demand	<u>85,000.00</u>
Accounts Payable and Accrued Expenses	\$91,000.00
Deferred Subscriptions Income	311,201.69
Federal Income Tax	52,995.90
Other Federal and State Taxes	14,785.23
TOTAL LIABILITIES	476,298.79

CAPITAL:

Preferred stock - 5% cumulative - par value \$100 a share	
Authorized 11,000 shares	
Issued and outstanding 1,381 shares	138,100.00
Common stock - no par value	
Authorized - 20,000 shares	
Issued and outstanding 14,801 shares	14,801.00
Earned surplus	<u>13,162.18</u>
	<u>166,063.18</u>

TOTAL LIABILITIES AND CAPITAL **\$642,361.97**

Note: Dividends in arrears (not waived) on the outstanding cumulative
preferred stock amounted to \$5,455.50 at December 31, 1964.

ROBERT WELCH, INC.
STATEMENT OF INCOME AND EXPENSES AND EARNED SURPLUS
For the Year Ended December 31, 1964

<u>INCOME:</u>	
Sales of publications	
Advertising, etc.	\$1,007,761.74
Speaking fees	28,527.56
<u>TOTAL INCOME</u>	<u>60,623.09</u>
	<u>1,096,912.39</u>
<u>EXPENSES:</u>	
Salaries	\$155,037.62
Payroll taxes	9,424.04
Printing and publications	542,559.91
Speakers' fees	35,966.11
Rent and electricity	22,497.62
Postage and shipping supplies	101,402.13
Guest articles	42,590.50
Office expense	6,453.26
Stationery and supplies	29,169.98
Telephone and telegraph	11,819.91
Depreciation and amortization	9,299.45
Research	698.49
Dues and subscriptions	925.29
Travel	24,750.57
Royalties	10,502.86
Professional fees	23,989.00
Taxes	6,224.00
Bad debts	12,098.78
Promotion	625.38
Interest	3,289.57
Insurance	7,545.49
Sundry	<u>2,237.40</u>
	<u>1,059,807.36</u>
<u>Less - Rent and office services</u>	
charged to:	
The John Birch Society,	
Incorporated	\$13,431.52
Correction, Please!,	
Inc.	<u>1,898.27</u>
	<u>15,329.79</u>
<u>NET EXPENSES</u>	<u>1,044,477.57</u>
<u>INCOME - Before Provision for</u>	
<u>Federal Income Tax</u>	<u>52,434.82</u>
Provision for Federal Income Tax	<u>14,785.23</u>
<u>NET INCOME FOR THE YEAR</u>	<u>37,649.59</u>
<u>EARNED SURPLUS (DEFICIT) - JANUARY 1, 1964</u>	<u>(10,051.76)</u>
	<u>27,597.83</u>
Dividends paid on preferred stock (arrearage to	
December 31, 1963 including \$7,626.08	
previously waived by preferred stockholders)	<u>14,435.65</u>
<u>EARNED SURPLUS - DECEMBER 31, 1964</u>	<u>\$13,162.18</u>

Note: Prepared from the books of account without verification.